

were increasing, clearing-house transactions were multiplying, and the securities of the South American republics were eagerly accepted by investors under the endorsement of such a house as the Barings.

Money had been poured into the Argentine Republic for the development of banking, public works, and retail trade, until the natives might well have been convinced that their credit in London was without limit. A boom began in 1886 which carried up the price of lands, which a few years before could be had almost for the taking, to \$50,000 per league, while suburban lots bounded upward from a few cents to several dollars per square metre. Extravagance and luxury ruled among the governing classes, and the banks which were opened in 1887 under the Guaranteed Banking Law advanced money without security, by the hundreds of thousands to men of prominence and by the thousands to their humbler followers. The requirement of payment by instalments disclosed the fact that the banks had made many bad debts, and it soon appeared that these had been covered up for a time by fraudulent over-issues of bank-notes. The legal circulation, which amounted to \$160,000,000, or about \$40 per capita, was increased by the fraudulent issue of \$50,000,000 to \$60,000,000 in additional paper. The National Bank, alone, exceeded its limit \$26,000,000. Notes supposed to be redeemed were constantly reissued, and when the crash came paper money was so discredited that gold went to a premium of three hundred in paper, and tickets for a few cents were issued by barbers and retail stores to take the place of the small coins which disappeared.¹

The interest rate at the Bank of England was gradually lowered during 1890, from six per cent, on February 20th, to three per cent, on April 15th, where it remained until June 26th. It was then raised to four per cent., and afterwards to five per cent., where it stood on Thursday, November 6th. Uneasiness began to be felt among well informed bankers over the increase in the acceptances assumed by the Barings

¹ "Gauche Banking," London *Bankers' Magazine*, Jan., 1891, LL»
37-47-